

TOP STORIES

- US Eases Restrictions on Huawei, Easing Tensions and Lifting Tech
- Powell: Business Debt Rising but Not Yet a Threat to System
- Chinese Government Plans Offshore Bills Sale, Yuan Jumps
- Home Depot Earnings Beat Despite Wet Start to Spring

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	2860.75 (16.75)	19.07
Nasdaq	7457.5 (65.75)	70.80
Dow	25835 (139)	159.1

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	7366.86	0.77%
DAX	12173.57	1.10%
Nikkei	21272.45	-0.14%
Hang Seng	27657.24	-0.47%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
7:50	Raphael Bostic Speaks	
10:00	Existing Home Sales	5.37M
10:45	Charles Evans Speaks	
12:00	Eric Rosengren Speaks	

FOREX

EUR/USD	1.1145 (-0.22%)
USD/JPY	110.28 (0.21%)
USD/CAD	1.3414 (-0.10%)
GBP/USD	1.2689 (-0.29%)
USD	97.95 (0.19%)

COMMODITY

Oil	63.6 (0.79%)
Natural Gas	2.65 (-0.86%)
Gold	1274.7 (-0.20%)
Copper	2.7325 (0.24%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	16.31 (2.19%)
Nasdaq	VXN	21.64 (11.6%)
Oil	OVX	27.63 (-6.15%)
Gold	GVZ	9.16 (-0.01%)

MARKET OUTLOOK

Futures are indicating a higher open for the morning with the commerce department easing their ban on Huawei. The US will now give a 90-day reprieve for companies doing business with Huawei to ease the impact. Tech is getting a lift in Europe as a result. Chinese officials continue to warn that they will retaliate for the move against Huawei although nothing specific yet. They believe the US move undermines over a year of talks. Jerome Powell spoke overnight and cautious on growing business debt. The Fed Chair said that problems could occur if the economy weakens. The dollar is showing strength this morning up 20 bps and nearing the April highs, potential bull flag breakout. Grains continued to run higher.

Asian markets closed modestly lower overnight with the Nikkei weak behind tech. A number of suppliers to Huawei were hit hard initially but rebounded in the afternoon with the US reprieve. **TDK** was down 1% and **Tokyo Electron** down 2%. **Softbank** rose 3.5% after the S/TMUS headlines on a potential deal. It was a quiet night for new data. Singapore GDP came in light at 1.2% vs 1.5% in Q1. South Korea PPI rose to 0.6% in April, higher than expected.

European markets are higher this morning with the DAX leading up over 1%. Chipmakers bouncing with **AMS**, **ST Micro**, and **Infineon** climbing. **Telecom Italia** was higher by 2% after earnings. **UDG Healthcare** hitting a new 8-month high after raising their outlook. **Norsk Hydro** up 5% after re-opening their plant in Brazil. Med-tech company **Sonova** up 4% after raising their outlook. UK industrial trends weakened in May by more than expected, -10 vs -5. The BOE's Mark Carney will speak later today.

S&P Global (SPGI) on watch today after being upgraded to Buy at UBS, \$252 PT. The firm thinks upside from Chinese debt ratings opportunities will materialize much sooner than the three-to-five years that S&P management and the market is currently expecting.

S&P TECHNICALS

Levels: Support 2,800/2,750; Resistance 2,900/2,950



2353 Advancing	Declining 4868
30.9%	64.0%
127 New High	New Low 284
30.9%	69.1%
2865 Above SMA50	Below 4719
37.8%	62.2%
3554 Above SMA200	Below 4030
46.9%	53.1%

KEY EVENTS TO WATCH

Earnings After the Close: CRMT, JWN, PSTG, SE, SKY, TOL, URBN

Analyst Days: HXL, PDVW, HELE, VRNT

Conferences: UBS Healthcare, RBC Healthcare, Needham Emerging Tech, Wolfe Global Transport

Economic Data on Wednesday: Raphael Bostic Speaks at 10:10 AM, FOMC Minutes at 2:00

Earnings Before the Open on Wednesday: AAP, ADI, CM, LOW, TGT, VFC

ANALYST ACTION/COMMENTS

Amneal Pharmaceuticals (AMRX) upgraded to Strong Buy at Raymond James

Apollo Global Management (APO) upgraded to Outperform at Credit Suisse

Deckers Outdoor (DECK) upgraded to Buy at BofA/Merrill

Kroger (KR) upgraded to Outperform at Bernstein

Polaris Industries (PII) upgraded to Outperform at BMO

S&P Global (SPGI) upgraded to Buy at UBS

Stanley Works (SWK) upgraded to Buy at Zelman

TripAdvisor (TRIP) upgraded to Neutral at Guggenheim

Carlyle (CG) downgraded to Neutral at Credit Suisse

KKR (KKR) downgraded to Neutral at Credit Suisse

Ocular Therapeutix (OCUL) downgraded to Outperform at Raymond James

Occidental (OXY) cut to Market Perform at Wells Fargo

Amgen (AMGN) initiated with an Outperform at Credit Suisse; **Biogen (BIIB)** initiated with an Underperform at Credit Suisse

Booking Holdings (BKNG) resumed with a Buy at Needham

Neurocrine Bioscience (NBIX) initiated with an Outperform at Credit Suisse

Penumbra (PEN) started Outperform at William Blair

TripAdvisor (TRIP) resumed with a Buy at Needham

Vertex Pharma (VRTX) initiated with an Outperform at Credit Suisse

MEDIA HIGHLIGHTS

Constellation Brands (STZ) gets 2nd FTC request over E.&J Gallo winery deal – WSJ

QEP Resources (QEP) considering sale after Elliott proposal, **Whiting (WLL)**, **Callon (CPE)** considering bids – Bloomberg

Judge says **Walmart (WMT)**, **Target (TGT)**, **Bed Bath (BBBY)** must face suits over cotton – Reuters

U.S. to grant some temporary exemptions to **Huawei** blacklist (**LITE**, **NPTN**, **OCLR**) - WSJ

Intelligence chiefs caution tech companies on China risks – FT

Facebook (FB) courts mobile carriers with promise of user data – The Intercept

Airbus vows counter-punch to new **Boeing (BA)** in the mid-jet space - Reuters

General Motors (GM) aims to scale back its car sharing service in eight out of 17 cities. WSJ

Norsk Hydro given green light to resume full production at Alunorte – FT

Japan's **MUFG** steps up US expansion with eye on more tech lending – Nikkei

Toshiba, **Siemens Gamesa**, **Blackstone (BX)** interested in **Senvion** – Reuters

STOCK SPECIFIC NEWS OF NOTE

Insmid (INSM) presents new data from Phase 3 CONVERT study of ARIKAYCE

Ocular Therapeutix (OCUL) says OTX-TP failed to meet primary endpoint in Phase 3 trial

Marvell Tech (MRVL) to acquire Avera Semiconductor for \$650M in cash

Varian (VAR) to acquire Cancer Treatment Services for \$283M in cash

Isramco (ISRL) enters into \$121.40 per share merger pact with Naphtha Israel Petroleum

Legg Mason (LM) names Nelson Peltz, Ed Garden to board of directors

Toll Brothers (TOL) acquires Sharp Residential

Interactive Brokers (IBKR) discloses 7.6% stake in UP Fintech

Crane (CR) proposes to acquire **Circor (CIR)** for \$45.00 per share in cash

PRE-MARKET MOVERS

Moving Higher: VNE 6.8%, QCOM 2.9%, MU 2.3%, BIDU 2.1%, NOK 1.6%

Moving Lower: BCRX -44.5%, KSS -10.3%, TSLA -3%

INSIDER TRADING (Form 4 Filings)

Buying: CYH, CALX, HBAN

Selling: PGR, AMT, CVA, HAS, AFL, PZZA, LII, SSNC, CMPR, TDG, CHD, ISRG, STML

POTENTIAL SYMPATHY TRADES

AAP, ORLY, GPC – on AZO earnings

M, JWN, DDS – on KSS earnings

OPTION HIGHLIGHTS (Prior Day)

Acadia Pharma (ACAD) with nearly 1,000 January \$28 calls bought for \$3.45 today in a stock replacement name which has over 1,600 September \$26 calls in OI from buyers in late April around \$3.25. ACAD also has 1,125 June \$24 short puts from early May in open interest. Shares are forming a bull wedge under \$27 with a breakout targeting \$33+ and continuation of the strong move from the December lows. ACAD has been a strong outperformer YTD relative to XBI up nearly 50% vs 12.5%. The \$3.7B biotech trades 15.5X sales and 9X cash with revenue growth of 43.4% and 87.8% over the next two years. They expect to reach profitability by 2021 and potential for \$1B in sales by 2022. ACAD is seeing strong uptake of Nuplazid with sales up 29% in May. They have key Phase 3 trials ongoing in MDD and Alzheimer's and expect data for Pimavanserin in schizophrenia due by mid-year. Analysts have an average target for shares of \$31 with 6 buy ratings and 4 hold ratings. Piper raising their PT in May to \$30 confident in Nuplazid growth as new patient adds continue to come in strong. They also see significant unrealized value for the company's dementia related psychosis programs. The firm thinks growth will continue as safety concerns slowly subside. Short interest is 7.8% and down from around 15% in October 2018. Institutional ownership fell 3.5% last quarter. Avoro Capital a buyer of 1.325M shares while Ghost Tree and Baker Bros. remain top holders (the latter with 39.7M shares). ACAD had a director buy \$234K in stock in 2018 around \$23.50.

AFTER HOURS MOVERS

Gainers: CLVS 6%, TRIP 1.9%

Losers: NDSN -2.5%

MARKET SENTIMENT / INTERNALS

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.63	Multi-Month Highs
CBOE Index Put/Call Ratio	1.12	Neutral
CBOE Skew Index	118.69	Low
VIX Curve	Contango	Normal
CNN Fear & Greed Index	36	Fear
NYMO	-24.73	Neutral / Not Oversold
NYSE Highs/Lows	61.49	Multi-Month Lows
McClellan Summation	590.69	Below 8-EMA
Univ. of Michigan Consumer Sentiment	102.4 (May Prelim)	15-Year Highs

SMART MONEY (13g/13d Filings)

IPO MONITOR

Rattler Midstream (RTLRL) issuing 33.3M shares for \$16-\$19; Limited partnership formed by Diamondback to own, operate, and acquire midstream infrastructure assets

Three small biotech IPOs in **BCYC, IDYA, and PLTX**

TRADE

WEEKLY TECHNICAL BREAKOUT

ORCL:



Oracle (ORCL) shares are consolidating in a small flag under new 52-week highs at \$55.50 with a breakout targeting \$58. MACD is back around zero and RSI still in a healthy zone above 50. Longer-term, shares re-tested a key breakout area at \$53.

FUNDAMENTAL TRADE OF THE WEEK

Stock: Alteryx (AYX)

Price: \$88.50

Valuation: Undervalued

Key Ratios:

	Fwd. PE	P/S	P/B	EV / EBITDA	P/FCF
Stock		20.8X	17X	131.5X	
Industry Avg.		8.4X	9.4X	41.3X	

Analysis: The \$5.5B company trades 19.6X EV/sales and 15X cash with growth estimates out through 2021 of 31.8% and 35.7%. AYX expects to make around \$1/share by 2021. The company focuses on data analytics and productivity for businesses. They have strong dollar-based retention and strength last quarter from International and enterprise demand. They're seeing better margins from new product mix as well as higher services.

IDEAS

WEEKLY TECHNICAL BREAKDOWN

HRL:



Hormel (HRL) shares are consolidating in a bear flag above \$39 with a big volume gap under which targets \$37 and then a big high-volume node around \$35. Shares have major resistance above at \$41.

PAIR TRADE OF THE WEEK

Industry: QSR

Long/Short: Long Chipotle (CMG), Short Dine Global (DIN)

Analysis: CMG has been seeing stronger SSS growth with their digital business in the early innings of adoption and seeing nice early uptake with higher ACP. Their rewards program will be a key driver into the 2H. DIN has seen mixed comps while margins are weakening.

SMALL CAP TRADE OF THE WEEK

Domo (DOMO) is a \$1.02B software company which trades 6.66X EV/sales and 5.8X cash with 23.3% sales growth expected in both 2020 and 2021. DOMO focuses on business intelligence tools and data visualization, a \$24.4B market. DOMO also expects to expand across other markets like data integration and warehouse management which is another \$20.4B in TAM.

DAILY OPTIONS REPORT

<u>Unusual Call Activity</u>	<u>Unusual Put Activity</u>	<u>Implied Volatility Riser</u>
Beazer (BZH)	Upwork (UPWK)	Mallinckrodt (MNK)
Fly Leasing (FLY)	Sprint (S)	Sesen (SESN)
NeoPhotonics (NPTN)	T-Mobile (TMUS)	Hecla (HL)
Aflac (AFL)	Qurate (QRTEA)	NeoPhotonics (NPTN)
Radius (RDUS)	Dish Network (DISH)	Dean Foods (DF)
PG&E (PCG)	BorgWarner (BWA)	Weibo (WB)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
BRF SA (BRFS)	Focus Financial (FOCS)	Pareteum (TEUM)
Equinix (EQIX)	MEI Pharma (MEIP)	Sprint (S)
NeoPhotonics (NPTN)	Credit Suisse (CS)	Cara Therapeutics (CARA)
Tivo (TIVO)	SBA Communications (SBAC)	Pinduoduo (PDD)
Avon Products (AVP)	Dean Foods (DF)	Corbus (CRBP)
Fifth Third (FITB)	Upwork (UPWK)	Axsome (AXSM)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
Aflac (AFL)	Intra-Cellular (ITCI)	Cara Therapeutics (CARA)
Tronox (TROX)	Micron (MU)	Assembly (ASMB)
Beazer (BZH)	Pinduoduo (PDD)	Intra-Cellular (ITCI)
Fiat Chrysler (FCAU)	Kohls (KSS)	Beyond Meat (BYND)
IQIYI (IQ)	Coca Cola (KO)	Jumia (JMIA)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
Aflac (AFL)	PG&E (PCG)	Upwork (UPWK)
Tesla (TSLA)	Kroger (KR)	Sprint (S)
Arcelor Mittal (MT)	Square (SQ)	T-Mobile (TMUS)
Xilinx (XLNX)	Microsoft (MSFT)	Radius (RDUS)
Ford Motor (F)	Metlife (MET)	PG&E (PCG)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Square (SQ)	Williams Sonoma (WSM)	FL, May 31st (W) \$55/\$60 call spreads bought 1,550X
Applied Materials (AMAT)	Weibo (WB)	TIF, June 7th (W) \$90/\$85 ratio put spread opening 1,100X2,200
Las Vegas Sands (LVS)	Zscaler (ZS)	CPRI, 1,000 January \$55/\$30 bull risk reversals
CME Group (CME)	Planet Fitness (PLNT)	OXY, 1,500 of the \$67.50/\$40 bull risk reversals
Array Bio (ARRY)	Coty (COTY)	MT, 4,000 June \$16/\$14.50 put spreads

Stock Specific News

Big **Deutsche Bank (DB)** investors demand a succession plan for chairman – Reuters

Sweden's **Veoneer** to sell \$500 million of bonds, equity to boost working capital – Reuters

Merck (MRK) to acquire Peloton Therapeutics for \$1.05B in cash; **MRK** announces Phase 3 KEYNOTE-119 trial does not meet OS primary endpoint

After the US took down **Huawei**, could **DJI** be next? – The Verge

Sprint's (S) Deal Is Still a Marathon – WSJ

Baidu (BIDU) reportedly considering spinning off autonomous driving unit – Technode

Clovis (CLVS) says Rubraca increased symptom-free period in ovarian cancer patients

BioCryst (BCRX) Phase 3 APeX-2 trial meets primary endpoint for both dose levels

FHFA's Calabria: **Fannie (FNMA)**, **Freddie (FMCC)** need capital before privatization, Reuters

Sesen Bio (SESN) announces FDA acceptance of analytical comparability plan

Voce withdraws **Argo Group (ARGO)** nominations, will review potential legal remedies

Urban Outfitters (URBN) launching Nuuly clothing rental service this summer - WSJ

Extras

Venator (VNTR) late day trade opens 1,400 September \$2.50 calls \$2.15

PTC Therapeutic (PTCT) buyer of 500 June \$38 calls to open \$2.30 offer

Delphi Auto (DLPH) buyer of 500 September \$20 calls to open \$2.20 offer and 800 of the \$17.50 calls for \$3.40

Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
AZO	AutoZone	\$15.99	\$15.09	\$2,783.01	\$2,773.55	4.60%	
CBRL	Cracker Barrel		\$2.10		\$734.76		
DY	Dycom	\$0.53	\$0.42	\$883.70	\$771.90	20.80%	FY In Line
EV	Eaton Vance		\$0.76		\$411.42		
DAVA	Endava	\$0.19	\$0.17	\$73.06	\$71.82	24.70%	
HD	Home Depot	\$2.27	\$2.19	\$26,381.00	\$26,339.10	5.70%	FY In Line

JCP	J. C. Penney	-\$0.46	-\$0.39	\$2,439.00	\$2,488.31	-5.60%	
KSS	Kohl's	\$0.61	\$0.67	\$3,821.00	\$3,972.45	-3.30%	FY Below
MNRO	Monro Muffler		\$0.51		\$292.07		
TJX	TJX		\$0.55		\$9,214.57		
NDSN	Nordson	\$1.54	\$1.60	\$551.00	\$558.34	-0.50%	